

# STATUS OF RESEARCH ON ENTREPRENEURSHIP AND SME DEVELOPMENT IN LEAST DEVELOPED COUNTRIES

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# Status of Research on Entrepreneurship and SME Development in Least Developed Countries

Halla Thorsteinsdóttir

Joint Webinar on Research on SME Development,  
United Nations Technology Bank for the Least Developed Countries,  
International Development Resource Centre, Small Globe

15 October 2020,

# Outline

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- Why is research needed on entrepreneurship/SME development in the LDCs?
- How did we do the analysis of the research?
- What did we find out?
  - Publications on entrepreneurship/SME development
    - Volume of publications
    - Differences between countries
    - Themes of publications
  - Publications on SME development
    - Volume of publications
    - Differences between countries
    - Themes of publications
  - Focus on technology
  - Affiliations of authors
- What are the main messages?

# Why is research needed on entrepreneurship/SME development in the LDCs?

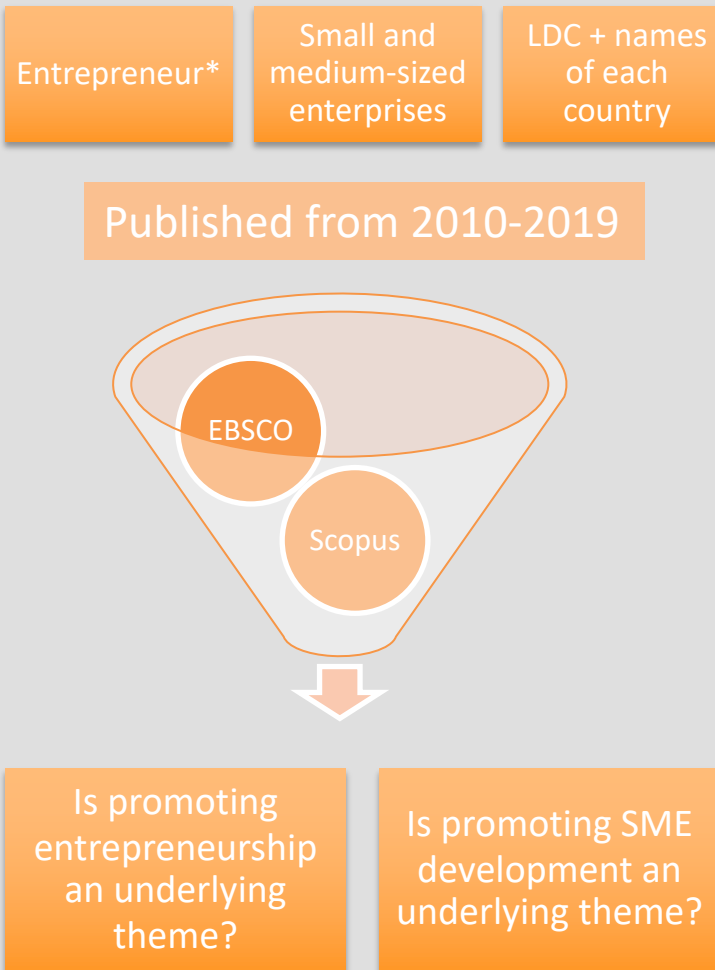
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- LDCs are increasingly emphasizing SMEs as a part of their economic development and job creation strategies.
- We also observe a technology emphasis in the LDCs particularly with many developing digital strategies including a focus on SMEs
- Women entrepreneurship is also increasingly cited as an objective in the LDCs.
- Basically we wanted to take stock of the research evidence that could provide input into these policies



# How did we do the analysis of the research?

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# How did we do the analysis of the research? (cont'd)

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Data set

Analysis  
Volume

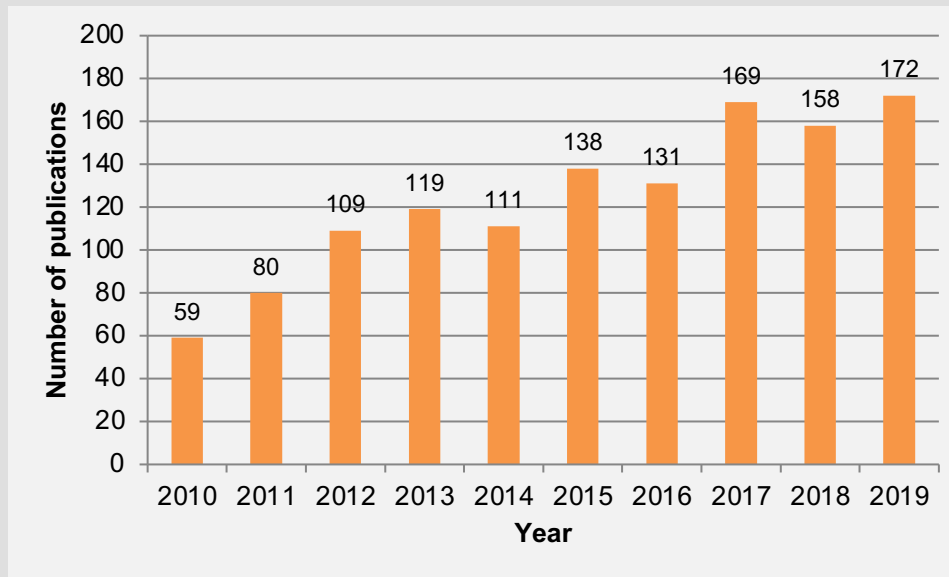
Analysis  
Country

Analysis  
Themes

Analysis  
Affiliations

# What did we find out?

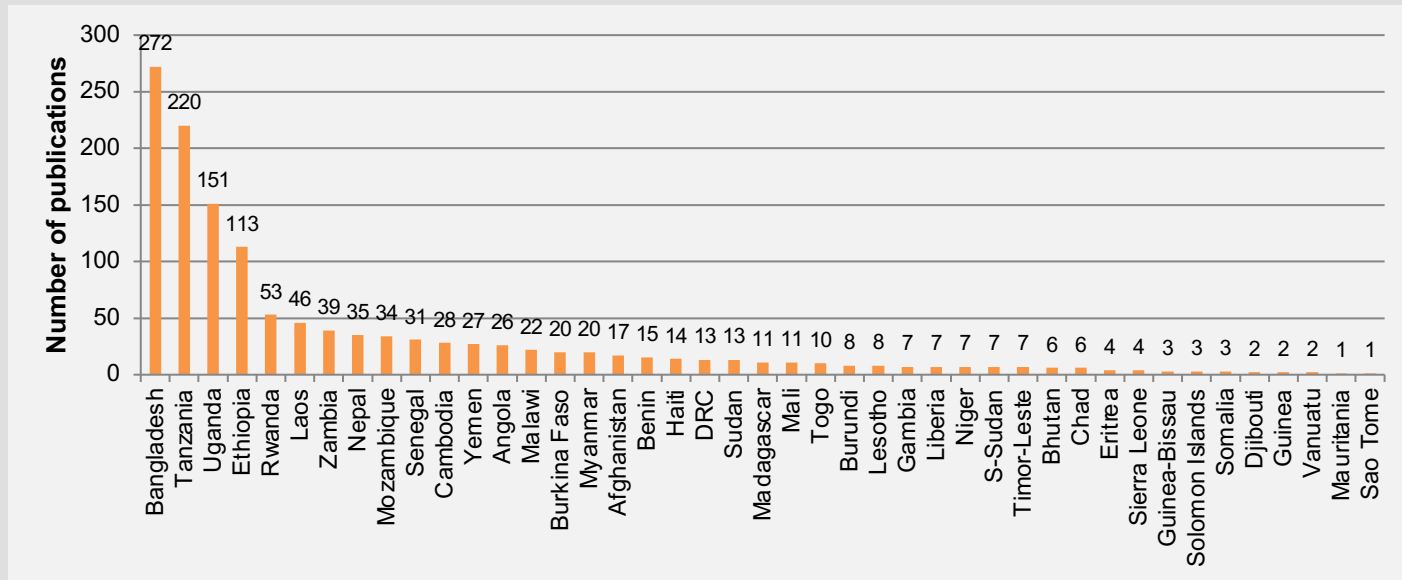
- From 2010 till 2019 we identified 1246 publications on entrepreneurship/SME development in the LDCs.
- The volume is relatively small but increasing



Publications on entrepreneurship/SME development  
in the LDCs per year

# What did we find out? (cont'd)

- Very uneven research with over 60% focused on four countries: Bangladesh, Tanzania, Uganda and Ethiopia
- More than half of the LDCs have almost no research



Publications on entrepreneurship/SME development in the LDCs by country  
(2010-2019)

# What did we find out? (cont'd)

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## Themes:

- Substantial emphasis on gender issues with almost 20% of the papers involving a focus on women entrepreneurs
- About 13% of the papers focused on technology issues
- Microcredit and micro financing addressed by 8% of the papers focusing on these issues

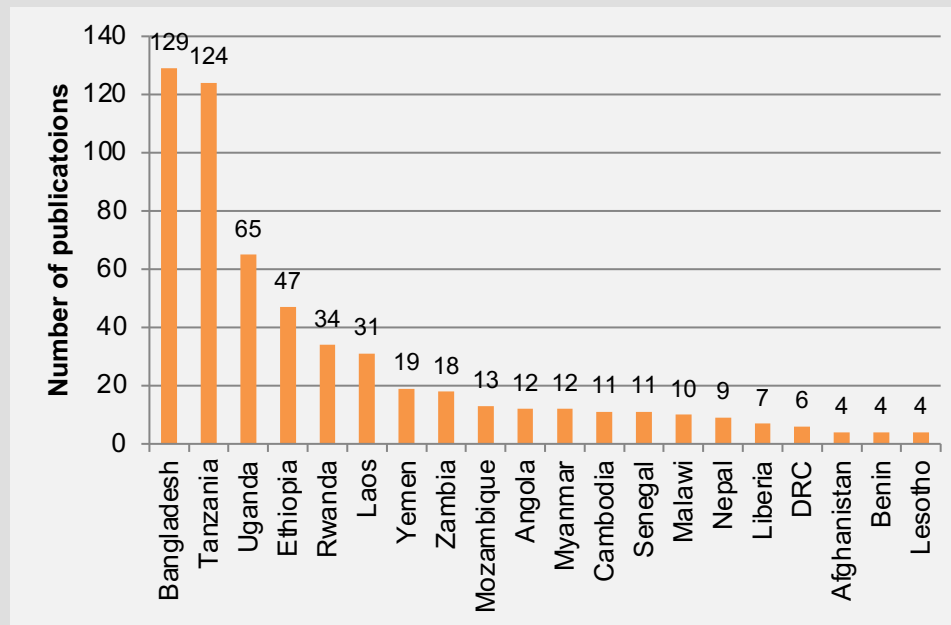
Other common themes: Access to financing; challenges; social enterprises; internationalization of SMEs; youth entrepreneurship; characteristics and motivations of entrepreneurs

# What did we find out?

(cont'd).....

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About half the publications in the database focused specifically on SMEs (611 papers)



# What did we find out? (cont'd)

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Themes of SME publications:

- Financing issues most common, with close to 20% of the SME papers discussing financing
- Slightly more emphasis on technology issues with, about 16% of the papers focused on these
- Reduced emphasis on gender issues, with around 7% of the papers involving a focus on women and SMEs
- Similar emphasis on microcredit and micro financing, with 6% of the papers focusing on these issues

Other common themes: Performance of the firm; the wider business environment; internationalization issues; incubators and business services

# What did we find out?

(cont'd).....

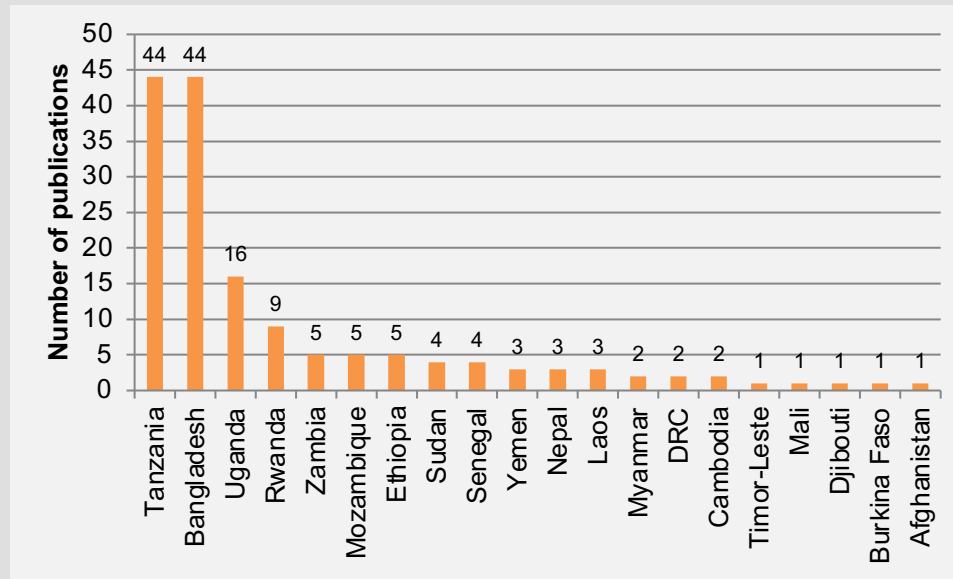
## Focus on Technology .....

- The technology focus of the paper seems to be stagnant and not increasing over time
- More papers focused on use of technology rather than development of technology-based firms
- Typical themes: use of e-commerce; internet-based or mobile banking; use of ICT in marketing
- None of the papers on developing technology-based firms discussed gender issues



# What did we find out? (cont'd)

- Technology issues are by far most frequently addressed in Bangladesh and Tanzania



Technology focus of publications on entrepreneurship/  
SME development by country (2010-2018)

# What did we find out? (cont'd)

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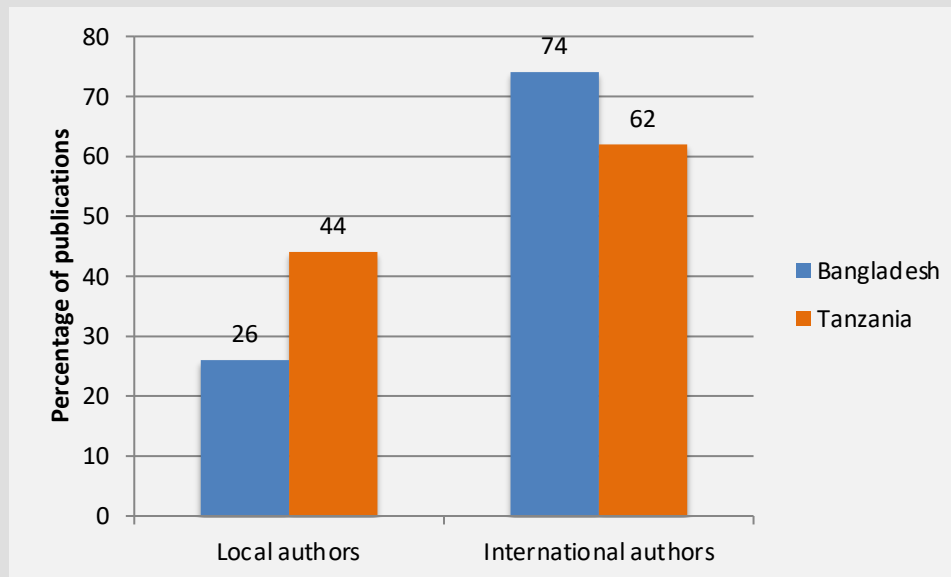
## Authors' affiliations of technology- focused SME papers

- Only about 32% of the SME papers had authors with local affiliations
- Most papers, or 69%, had authors with international affiliations
- The most common countries of the authors were:
  - South Africa, Australia, Malaysia and China
- Some of the authors seem to be diaspora

## What did we find out? (cont'd)

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- Neither Bangladesh nor Tanzania have a relatively large proportion of local authors



Local versus international authors for technology focused SME papers

## What did we find out? (cont'd)

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- Very limited international collaboration involving the SME focused technology papers
- Only 7 of the papers involved North-South collaboration
- Only 5 involved South-South collaboration

# What are the main messages?

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- In general there is very limited research on entrepreneurship/SME development in the LDCs
- Over half of the LDCs have almost no research for the ten year period 2010-2019
- Over 60% of the publications are focused on entrepreneurship/SME development in just four LDCs.
- The emphasis on technology in the entrepreneurship/SME development papers seems to be stagnant
- Research on women-led technology- based firms is absent
- There is a low involvement of locally affiliated authors in the technology focused SME papers which may reflect weak capacity for technology based entrepreneurship research

# What are the main messages?

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- Considering the emphasis on SME development by the LDCs, it seems that the demand for research on development of these firms is growing
- The emphasis on technology-based SME development indicates that there is a growing demand for research on technology issues in the LDCs
- There is scope for a program that builds capacity in research on entrepreneurship and SME development in the LDCs
- Also there is scope for a program that supports research on SME development widely in the LDCs





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## Case Study Results From Asia

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International Development Resource Centre, Small Globe  
15. October 2020



# Examples of Policies Promoting SME Development in Bangladesh

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1. **The SME Policy 2019** (Ministry of Industries)
1. **Perspective Plan of Bangladesh 2010-2021**
2. **2<sup>nd</sup> Perspective Plan of Bangladesh 2021-2041**
3. **Digital Bangladesh - Digital Bangladesh by 2021**

# Specific Initiatives Promoting SME Development in Bangladesh

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Government programs aimed generally at SMEs

1. Established the **SME Foundation** which:
  - Facilitates access to finance;
  - Links buyers and sellers;
  - Conducts studies on policies for entrepreneurship
  - Facilitates training;
  - Supports ICT development of firms
  - Policy advocacy etc.
2. **a2i – Access to Information Program**
  - Specializes in introducing citizen-centric public service to promote innovation and entrepreneurship

# Specific Initiatives Promoting SME Development in Bangladesh

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Government programs aimed generally at SMEs

## 3. **Bangladesh Bank**

Does SME development programs such as banker entrepreneur matchmaking program to address information asymmetry; SME fairs and products fairs where SMEs showcase their products.

## 4. **Startup Bangladesh Limited VC fund**

A USD 5 million corpus fully funded by the government, which can go up to USD50 million, to drive start-ups.

# Specific Initiatives Promoting SME Development in Bangladesh

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## Focused on women entrepreneurs

1. **The SME Foundation** – (the apex organisation under the Ministry of Industry of Government of Bangladesh), is required to have 50% of their targeted entrepreneurs as women, and has a dedicated wing for developing and supporting women entrepreneurs.
2. **Bangladesh Bank's** refinance policy stipulates that a bank or a non-banking financial institution
  - a. Cannot ask for collateral from a woman entrepreneur for a loan up to 2500000 Bangladesh
  - b. Provides lower interest rate for women entrepreneurs;
  - c. Reserves a certain percentage (15%) of the total credit for women entrepreneurs.

## Specific Initiatives Promoting SME Development in Bangladesh

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Focused on women entrepreneurs

- 3. Bangladesh Bank** plans to develop their credit guarantee unit for women entrepreneurs into a Credit Guarantee Corporation – a stand-alone institution to support MSME (micro, small and medium enterprise) credit guarantee, with capital support from the government and the private.

## Specific Initiatives Promoting SME Development in Bangladesh (cont'd)

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Focused on dealing with the impact of COVID-19

1. Bangladesh Government in collaboration with the Bangladesh Bank, declared a stimulus package of 920 billion BDT aimed at reducing interest rates to SMEs impacted by COVID.
1. Provides additional 50 million BDT for export-oriented SME entrepreneurs; and another 50 billion BDT for the garments industries – to disburse salaries to workers.

# Selected Multilaterals and Donors working on SME Development in Bangladesh

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1. **World Bank**
2. **ADB** (Asian Development Bank)
3. **UNDP** (The United Nations Development Programme)
4. **UNCDF** (The United Nations Capital Development Fund)
5. **USAID** (United States Agency for International Development)
6. **EMK Centre** (Edward M Kennedy Centre for Public Service and the Arts)
7. **DFID** (Department for International Development UK)
8. **JICA** (Japan International Cooperation Agency)
9. **GAC** (Global Affairs Canada)
10. **GIZ** (The German Corporation for International Cooperation)
11. **Swiss Development Corporation**

# Selected Incubators and Accelerators in Bangladesh

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42 ecosystem enablers, accelerators/incubators across Bangladesh.

1. **Startup Bangladesh** by the ICT Ministry – the first government run accelerator started in 2017
2. **Innovation Lab** or iLab under a2i
3. **MakerLab** in EMK Centre
4. **YGAP** – an Australian incubation centre
5. Corporate incubation centres such as the **Grameen Accelerator Program** (part of Telenor)



# Examples of Research Gaps in Bangladesh

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1. Need for comprehensive baseline data on SMEs and the entrepreneurship ecosystem

*“There has long been a need for a good database on SMEs. Bangladesh does not really have a system of regular collection of data, which is very important for secondary research”*

## Examples of Research Gaps in Bangladesh (cont'd)

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2. Need for research to explore how to establish synergy among the different actors in the entrepreneurship ecosystem, who currently tend to operate in siloes.

*“Policy makers need to have a broader canvas before them where they can see how each piece fits together and work in a coordinated manner. That bigger canvas is absent ”*

## Examples of Research Gaps in Bangladesh (cont'd)

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3. Need for in-depth behavioural studies on different aspects of women's entrepreneurship such as social determinants of their access to finance; financial and technical literacy; access to market and networks

*“There are very few women entrepreneurs involved in technology. But there is no data available on what their challenges are, who they are and what they would like to do”*

# Examples of Policies Promoting SME Development in Cambodia

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- 1. The Rectangular Strategy for Growth, Employment, Equity and Efficiency - Phase IV (2018 – 2023)**
- 2. The National Policy Development Plan (2019-2023)**
- 3. Industrial Development Policy (2015-2025)**
- 4. In progress:**
  - a.** SME Development Policy – Led by Ministry of Industry, Science, Technology and Innovation
  - b.** Start-up Policy – Led by Ministry of Posts and Telecommunications

# Specific Initiatives Promoting SME Development in Cambodia

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1. **Skill Development Fund** – a joint initiative by Asian Development Fund and Ministry of Economy and Finance, 2018, USD 5 million total fund
2. **Tax incentives** for qualified SMEs in specific priority sectors (2018)
3. **SME industrial zone** – to encourage internationalization of SMEs
4. **SME Bank** officially launched in April 2020 with initial funding of USD 100 million
5. **Enterprise Development Fund** Ministry of Economy and Finance. USD 5 million annual fund
6. **Khmer Enterprise** just started operation earlier this year –  
Its programs include (1) Capacity upgrading, (2) networking, (3) entrepreneurial culture promotion and (4) seed funding.



# Selected Multilaterals and Donors working on SME Development in Cambodia

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- 1. UNDP** - promotes entrepreneurship and works directly with start-ups and incubators.  
Example UNDP Cambodia and Khmer Enterprise jointly signed a new partnership to promote entrepreneurship training for Cambodia's young entrepreneurs and to support the development of the SME sector in the country
- 2. USAID** – has had several SME development initiatives in the country. Supports women entrepreneurship, for example by funding PACT Cambodia
- 3. JICA** – supports an accelerator, SME policy
- 4. UNIDO** – incorporates entrepreneurship programs in different projects
- 5. Australian Aid** – supports SME development including some incubators

# Selected Incubators/Accelerators/Investors in Cambodia

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1. **Impact Hub** - Build business and leadership skills in youth and start-ups through incubation & pre-incubation programs, mentoring, and workshops
2. **Small World Ventures** - Venture building in information technologies, and the environment.
3. **PACT Cambodia** - Supports young women entrepreneurs to reach their full potential.
4. **SHE Investments** - Support women with micro, small and growing businesses to scale, creating social and economic impact for communities
5. **CJCC Accelerator** – Grow the investment ready entrepreneurs through business capacity development; Create fundraising opportunities
6. **Cambodian Investment Club** - A crowdfunding platform aiming to mobilize investors to provide Cambodian SMEs with a new solution to cash flow financing challenges

# Examples of Research Gaps in Cambodia

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## 1. Need for business case studies

*The role [of research] is trying to identify the real business opportunity and then develop the case. So, rather than just a policy piece. To be frank with you, I was not fully satisfied with the research developed by ....It just provided a policy framework, but it is not a business case study. So, the real business research is to identify business in each sector. And what this sector is lacking and how we can address that*



## Examples of Research Gaps in Cambodia (cont'd)

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2. Need for studies on the missing middle - how firms develop from a successful startup to a successful mid range company

*I think the idea of missing middle is interesting. Cambodia has a very lively startup scene at the micro and small level and it is good. A whole bunch of electric light manufactures with all sorts of clean/green interesting startups. Then you got the mega wealthy elite at the top. The missing bit I think is a characteristic of a successful inclusive upper middle income country or even a high income country.*



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## Case Study Results From Africa

Jennifer Bell

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15. October 2022

# Policies Promoting SME Development in Ethiopia

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- Ethiopia: An African Beacon of Prosperity Ten-Year Development Plan (2020 - 2030)
- 2019 Homegrown Economic Reform Agenda
- Industrial Development Strategic Plan and Roadmap (2013 - 2025)
- National Entrepreneurship Strategy (2020 – 2025)
- Digital Ethiopia 2025: A Digital Strategy for Ethiopia Inclusive Prosperity



# Specific Initiatives Promoting SME Development in Ethiopia

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- 1 The Entrepreneurship Development Centre (EDC)
- 2 The Plan of Action for Job Creation, 2020-2025
- 3 Start-up Businesses Proclamation
- 4 Industrial Parks

# The Entrepreneurship Development Centre (EDC)



# Selected Multilaterals and Donors working on SME Development in Ethiopia

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- 1 UNDP—focus on implementation
- 2 UNIDO—cluster development
- 3 Tony Blair Institute—policy and management support for private sector development
- 4 The World Bank: Women Entrepreneurship Development Project
- 5 Global Affairs Canada - Innovative Finance for Women Entrepreneurs
- 6 GIZ Germany—support for the TVET system

# Selected Incubators, Accelerators, and Investors in Ethiopia

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- 1 Blue Moon
- 2 DOT Ethiopia
- 3 xHub
- 4 iceaddis
- 5 Renew Strategies
- 6 Cepheus Capital
- 7 54 Capital
- 8 Ascent Capital/ Ascent Rift Valley Fund
- 9 Zoscales Partner



# Examples of Research Gaps in Ethiopia

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## What can be learned from success stories of stand-out tech start-ups?

In a challenging business environment, there are nonetheless success stories; **what were the factors** that contributed to their success?

Such an approach would allow **local, contextual elements** to be better understood, rather than looking to examples such as Silicon Valley, which is of little use.

*“Maybe find 20 companies and **tease out what worked.**”*



# Examples of Research Gaps in Ethiopia (cont'd)

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## What is the best way to teach the necessary culture and skills for entrepreneurship?

As Ethiopia has, relatively recently, made a transition from a state-run to a market economy, it is clear that there is **a significant need for basic entrepreneurship education** at all levels.

*“It needs to be created, a culture of entrepreneurship. What could be interesting...is to develop curricula for entrepreneurs to be taught even in secondary school. **You are not born entrepreneurs; you have to learn.**”*

This type of training **ranges broadly** from secondary-school level curricula in basic approaches to entrepreneurship, to higher-level skills, including technology skills, taught at the post-secondary level.

# Examples of Research Gaps in Ethiopia (cont'd)

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## What are the opportunities and challenges in rural areas?

*“To have a real impact, you have to go a little bit in other parts of the country.”*

Although Ethiopia’s economy—like that of many LDCs—is heavily agricultural, with more than 70% of the population engaged in agriculture, many initiatives focus on urban areas, and **there are considerable gaps in research on promoting SME development in rural areas.**

Connected to this is a need for in-depth studies of the **SME ecosystem in specific sectors.**

# Policies Promoting SME Development in Senegal

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- Start-Up Act (Bill 17-2019)
- Strategie Senegal Numerique (SSN) / Digital Senegal 2025
- Code general des impots du Senegal

# Senegal's Start-Up Act (Bill 17-2019)



# Specific Initiatives Promoting SME Development in Senegal

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- la DER, la Delegation Generale a L'Entrepreneuriat Rapide des femmes et des jeunes
- ADEPME, Agence de developpement et d'encadrement des petits et moyens entreprises / Agency for the development and training of SMEs
- APIX, the Investment Promotion Agency

# Selected Multilaterals and Donors working on SME Development in Senegal

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- UN Capital Development Fund: WE! Fund
- World Bank / IFC: Warehouse Receipts Financing Reform Initiative
- EU Delegation: *Developper l'emploi au Senegal*
- USAID: *Nataal Mbay*

# Selected Incubators, Accelerators, and Investors in Senegal

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- 1 Jokko Labs
- 2 Impact Hub
- 3 CTIC
- 4 Afrilabs
- 5 Future Africa
- 6 Brightmore Capital
- 7 Women's Investment Club



# Examples of Research Gaps in Senegal

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## How can the overall ecosystem for SMEs be better understood and coordinated?

*“With SMEs, we have **no information** about who is doing what—they aren’t being counted. Good luck finding the turnover, the performance, the number of people they employ....”*

A better understanding of the complete picture would **benefit everyone involved**, including small- and medium-entrepreneurs, government officials, researchers, representatives of donor agencies, and investors.

Such knowledge would also help clarify **how government initiatives are aligned**, both with one another and also with the banking and financial sector, the legal landscape, taxation authorities, etc.

Furthermore, it would facilitate what one of our interviewees called a ‘political economy analysis’, that is, an understanding **not only of what is needed, but what is feasible**, given multiple stakeholders.

# Examples of Research Gaps in Senegal (cont'd)

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**Senegal needs to collect more and better gender-disaggregated data.**

*In Africa, “entrepreneurship is basically women, you know.”*

While there is data collected on some key indices concerning women, it is **relatively basic**, and, for example, does not include data on women-run SMEs.

In fact, according to UNWomen, in Senegal **only 36.7%** of the indicators needed to monitor the SDGs from a gender perspective are available.

There is also a **lack of consistent, complete, and comparable methodologies** for monitoring of gender issues, and Senegal’s National Statistical System does not have a specific entity in charge of gender statistics.

**Cultural factors** surrounding women’s participation in entrepreneurship is another important research gap.



# Examples of Research Gaps in Senegal

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Impact evaluations of programs and policies to support SME development are needed to know what works.

*“We only have feelings that this or that could work...so it would be very, very interesting to get to know...what kind of approach has the best impacts.”*

Ideally, evaluative structures should be **built in from the outset** when designing new programs and policies.

One interviewee even suggested conducting a **randomized controlled trial** of different interventions to support SME development, commenting that it would be expensive but worth it.





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